

International Forum of Independent Audit Regulators

PRESS RELEASE

On 1-3 October, 2012, 39 independent audit regulators participated in the twelfth meeting of the International Forum of Independent Audit Regulators (IFIAR), hosted by the UK Financial Reporting Council (FRC).

Meeting highlights

- IFIAR discussed the results of a survey of findings from Members' audit inspections and appointed a task force to prepare a summary of the results for publication
- IFIAR Members heard from representatives of the investor community on their views of audit quality, auditor reporting and related corporate governance issues. The investors also gave their views on what auditors can do to enhance audit quality and what audit regulators can do to support this
- IFIAR heard from the Global CEOs of the six largest international audit networks on the audit risks associated with sovereign debt exposures and the auditing reporting model, and challenged them to improve audit quality and their consistency of execution
- Individual IFIAR Members shared their findings from recent audit inspections and discussed recent developments in audit policy and enforcement matters
- IFIAR Members heard from, and provided feedback to, the IAASB on issues involving auditing standards and received a report on projects of the Auditing, Ethics and Education Standards boards of IFAC
- IFIAR Members agreed to consider how best to share information on enforcement matters and issues

The audit regulator from Liechtenstein was admitted as a Member of IFIAR during the meeting, bringing the number of Members to 44.

Inspection findings - survey

IFIAR discussed the results of an Officers' survey of findings from Members' audit inspections. The survey was conducted to gather information on audit inspection results from IFIAR Members relating to listed public companies, and also in response to a request from the Financial Stability Board for information from IFIAR on common findings from Members' inspections of the audits of major financial institutions. The Members agreed on next steps, including appointing a task force to prepare a summary of the results of the survey for publication by the end of the year.

Inspection findings – Members' updates

In addition, individual IFIAR Members updated other Members and Observers at the meeting on inspection findings in their jurisdictions.

Dialogue with investors and GPPC CEOs

IFIAR heard from prominent investor representatives from Canada, Germany, Japan, the Netherlands, Norway, the UK and the US on their views on audit quality and what the investors believe audit regulators can do to drive improvements in audit quality. The investors further presented their views on audit quality to the Global CEOs of the

international audit networks that form the Global Public Policy Committee (GPPC¹). IFIAR made it clear to the Global CEOs that it expects them to respond to the issues raised. Topics included:

- The role of the auditor in ensuring trust in the financial markets;
- Audit firm tone at the top and behaviour;
- How to expand the auditor's report to better meet investors' expectations, including the provision of additional information on the auditor's views of significant risks and key judgments;
- How to improve auditor independence, objectivity and professional scepticism, and the benefits and problems that might result from mandatory auditor rotation;
- How to ensure global consistency of audit quality delivery and execution;
- How to enhance the role and reporting of audit committees;
- How to encourage competition based on audit quality rather than price;
- The audit challenges of moves towards more integrated reporting of financial, environmental and social corporate information.

IFIAR will hold follow-up discussions with investors and the GPPC at subsequent meetings.

IFIAR challenged the major international audit network firms to make demonstrable progress in addressing the common inspection findings previously identified, in areas such as auditors' professional scepticism; group audits; revenue recognition; and engagement quality control review. IFIAR will continue to address these issues both at plenary meetings and through the GPPC working group.

IFIAR Members also discussed audit policy developments with the global CEOs of the audit networks, discussing the role of the auditor, the auditor's reporting model, and an update from the GPPC on issues relating to sovereign debt.

Audit policy developments

IFIAR Members debated reforms to audit reporting and regulation, including the reforms proposed by the European Commission and in Members' jurisdictions. Topics included issues relating to the auditor's reporting model; enhancing auditor independence; objectivity and professional scepticism; and improving audit transparency.

Feedback into auditing standards

IFIAR Members held a discussion with the International Audit and Assurance Standards Board (IAASB). Topics included:

- The IAASB's ISA implementation monitoring project;
- Auditor reporting;
- Professional scepticism/fraud;
- Using the work of internal auditors; and
- The IAASB's audit quality project.

Officers agreed to consider the best way to enhance cooperation and share best practices on enforcement issues.

Representatives of the European Commission, the Basel Committee on Banking Supervision, the Financial Stability Board, the International Organization of Securities Commissions and

¹ The GPPC comprises the six largest international audit networks.

the Public Interest Oversight Board participated as Observers and presented their work relevant to audit.

IFIAR will hold its next plenary meeting in Amsterdam, the Netherlands, in April 2013 at the invitation of the Dutch AFM.

Further details

For further information about this press release, please contact either:

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- The IFIAR Vice-Chairman – Lewis Ferguson, Board Member of the US Public Company Accounting Oversight Board, on +1 202 207 9252 or by e-mail to (internationalaffairs@pcaobus.org)

Notes to editors

1. Details of the membership of IFIAR can be found on the IFIAR website (www.ifiar.org).
2. The meeting was chaired by Paul George, Chairman of IFIAR and Director of Auditing and the Professional Oversight Board at the UK's Financial Reporting Council, and Lewis Ferguson, Vice-Chair of IFIAR and Board Member of the US Public Company Accounting Oversight Board.